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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

OCT - 2 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matters of

Changes to the Board of
Directors of the National Exchange
Carrier Association, Inc.

Federal-State Joint Board on
Universal Service

CC Docket No. 97-21

CC Docket No. 96-45

COMMENTS OF THE
UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association ("USTA") respectfully comments on the Joint Petition for Reconsideration filed by Nevada Bell, Pacific Bell and Southwestern Bell Telephone Company ("Joint Petitioners") on August 29, 1997 and the Petition for Reconsideration filed by MCI Telecommunications Corporation on September 2, 1997 in the above-captioned proceedings.¹ USTA is the principal trade association of the local exchange carrier industry.

¹ *In the Matters of: Changes to the Board of Directors of the National Exchange Carrier Association, Inc.*, CC Docket No. 97-21, and *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Report and Order and Second Order on Reconsideration*, FCC 97-253 (rel. Jul. 18, 1997).

The Joint Petitioners request that the Commission “modify its Rules and the Worksheet in order to eliminate the inclusion of any inside wire revenues and any other non-telecommunications revenues from the calculation of end-user telecommunications revenues and universal service contributions” (*Joint Petition* at 7).

USTA agrees with the Joint Petitioners that the inclusion of inside wire maintenance revenues in the contribution base of the Universal Service Worksheet is inappropriate. The Joint Petitioners have correctly shown that: (1) “[i]nside wire does not qualify as ‘telecommunications’ or a ‘telecommunications service,’ (2) there is no authority for the inclusion of any non-telecommunications revenue, such as inside wire maintenance revenues, in the contribution base, and (3) that the Commission’s decision to do so is unexplained (*Joint Petition* at 2). Indeed, there is no apparent reason why inside wire is included in the contribution base instead of on line 49 with the following non-telecommunications and non-regulated services: “enhanced services, billing and collection, customer premises equipment, published directory, and non-telecommunications products and service revenues.”

USTA further concurs with the Joint Petitioners that the inclusion of inside wire in the funding base “is inequitable and discriminatory in violation of 47 U.S.C. § 254(d)” (*Joint Petition* at 4).

USTA also shares MCI’s concern regarding the Commission’s composition of the Boards of Directors for the School and Libraries Corporation and the Rural Health Care Corporation. USTA

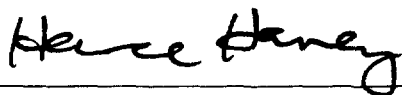
feels the composition of these Boards should be more evenly balanced between the intended subsidy recipients and the contributors to the fund. There are probably several alternative solutions to address this concern and USTA is not endorsing MCI's specific proposed changes in the Boards' membership composition. MCI does, however, raise valid and compelling concerns that the current composition of these two boards provides controlling votes to the school, library or rural health care recipients of universal service support, and therefore may influence the Board's decisions in a way which may not be impartial or balanced.

These concerns are particularly valid given the scope of the responsibility these Boards appear to have been given, such as approving applications and authorizing reimbursement to providers. Likewise, many of these decisions, while ostensibly administrative in nature, have the potential to achieve the impact of policy decisions more appropriately left to the Commission. Thus, these non-governmental unaffiliated corporations potentially have the affect of making policy decisions through their actions. It is the Commission and not the Boards which have responsibility for universal service policy as it applies to education and health care issues. Therefore, in addition to balancing the composition of these Boards, USTA requests that the Commission clarify the governing role of these Boards and define limits as to their influence on policy matters.

For the foregoing reasons, USTA respectfully urges the Commission to modify its Rules and the Worksheet as necessary to eliminate the inclusion of any inside wire revenues and any other non-telecommunications revenues from the calculation of end-user telecommunications revenues and universal service contributions. Furthermore, USTA respectfully urges the Commission to balance the composition, clarify the governing role and define limits as to the influence on policy matters of the Boards of Directors for the School and Libraries Corporation and the Rural Health Care Corporation.

Respectfully submitted,

UNITED STATES TELEPHONE ASSOCIATION

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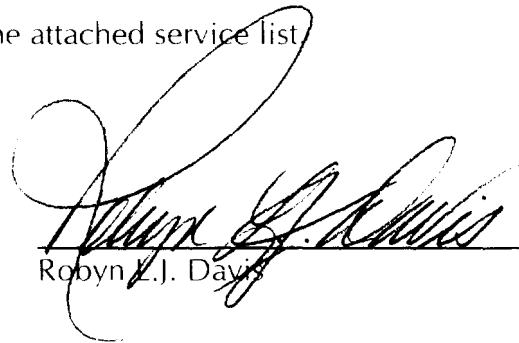
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October 2, 1997

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on October 2, 1997 the Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.


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